

**ATTACHMENT B**

**Visa International  
Credit Products Division  
Project Plan  
10/12/95**

**Project Name:** American Express Competitive Assessment and Response

**Project Manager:** Rich Bialek

<b>Project Team:</b>	Nicola Allen	Product
	Jeanne Althouse	Brand
	Andrew Ashley	Brand
	Nancy Jamison	Gateways/Processing
	Girny Patterson	Point of Transaction/Acquiring
	Broox Peterson	Legal
	Percy Pinto	New Product Technology
	Matt Price	Co-Branding
	Suresh Nanoo	Asia-Pacific
	Rick Fyves	Canada
	Deborah Flack	EU-Legal
	Daniel Julve	EU
	Hillary Mitchell	CEMEA
	Luis Acosta	Latin America
	Eric Kahn	US

<b>Sources:</b>	Robert Levaro	Commercial Product
	Jean Stewart	ATM
	Mark Tremont	Travelers Cheque

**Business Objective:**

Document, review and analyze the current American Express business strategy.  
Evaluate American Express market initiatives in the context of Visa's vision.  
Propose Visa policy positions to management.

**P-0542**

**GOVERNMENT  
DEPOSITION  
EXHIBIT  
1400**

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Memorandum

To: François Dutray

cc: Dick Hagadorn

Bennett Katz

From: Rich Bialek 

Date: 13 October, 1995

re: American Express Assessment

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To assist you with your preparation for the upcoming MEC and International Board Meetings in Williamsburg, a status report on the American Express Competitive Assessment project is attached. In preparing the status update Dick Hagadorn and I met with Bennett Katz to review the American Express discussions and outcomes from the EU and CEMEA Board meetings. Please contact me if you have any questions or require additional information.

## **American Express Competitive Assessment and Response**

American Express has recently undertaken a number of initiatives which show a significant change in strategic direction. These initiatives include new credit products, issuing and acquiring agreements with financial institutions, a renewed emphasis on increasing merchant service locations and the development of electronic delivery platforms.

A resolution prohibiting Visa Members from issuing American Express card products was drafted as an initial response to these American Express initiatives and placed on the CEMEA, EU and International Board Agendas this October. The CEMEA Board approved the resolution, but Bennett Katz withdrew the resolution from the EU Board when it became clear it would not pass. The resolution has been withdrawn from the International Board Agenda as a result of discussions on this issue at the EU Board on October 6th.

EU Board members requested a comprehensive assessment of American Express extending beyond issuing activities and considering acquiring, ATMs, authorization gateways and travelers cheques. In addition the EU Board requested an analysis of competitors beyond American Express, such as JCB, be considered as well. This request matches the scope and directions you have set.

An International based project team led by Credit Products had been assembled 30 days ago to develop a business based response to American Express. The project team will continue to assess the potential threats and opportunities the American Express initiatives imply for Visa. The end deliverable is a set of policy recommendations including business strategies and changes to by-laws and operating regulations that address product, brand and gateway issues.

Project milestones and team membership are outlined in the attachment.

Attachment A

American Express Competitive Assessment and Response

Project Timeline:

Action	Responsibility	Date
• Review Initial Policy Recommendations with F. Dutray and D. Hagadorn	R. Bialek	11/13

REDACTED

• Prepare Presentation, Resolutions and Supporting Materials for February/March Board Meetings - Initiate - Complete	R. Bialek	12/15 1/15/96
• MEC Review	TBD	1/22-23
• International and Regional Board Presentations - Regional Boards - International Boards	TBD	2/18-22 3/4-5



## American Express Global Competitive Analysis

December 10, 1995

## **PROJECT SCOPE/DELIVERABLES**

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### **Regions are sharing...**

- Information from ongoing studies
- Competitive perspectives on Amex

### **Visa International Management will provide linkage with Regional Management and Presidents to...**

- Obtain regional data and point of view
- Validate philosophy

### **Regions will receive...**

- Characterization of the competitive threats posed by Amex
- Potential responses/tools to address the threats that can be applied in regional context

### **Regions can choose which approach(es) are most applicable**

- Goal is to provide information for decision making

## DECISION MAKING PROCESS/TIMELINE



Meeting	Date	Agenda
MEC Review	January 16	<ul style="list-style-type: none"> <li>• Assessment of global strategic threat (Visa Int'l/BCG)</li> <li>• Suggested international and regional approaches for competitive response (Visa Int'l/BCG)</li> <li>• Assessment of potential issuing/acquiring prohibitions (Visa Int'l/Regional legal staffs)</li> </ul>
Regional Board Meetings	U.S.: Feb. 8, 9 Asia-Pacific: Feb. 12 Canada: Feb. 12 Latin America: Feb. 15, 16 EU: Feb. 19, 20 CEMEA: Feb. 21, 22	<ul style="list-style-type: none"> <li>• Presentation of Global/Regional threat</li> <li>• Presentation of MEC Review to Regional Boards</li> <li>• Seek approval of issuing/acquiring prohibitions</li> <li>• Prepare for other responses</li> </ul>
International Board	March 4, 5	<ul style="list-style-type: none"> <li>• MEC assessment of global strategic threat</li> <li>• Readout regional priorities for competitive response</li> <li>• Seek approval of issuing/acquiring prohibitions</li> </ul>

# **RULES-BASED RESPONSES HAVE RECEIVED INITIAL REVIEW BY VISA LEGAL STAFFS**

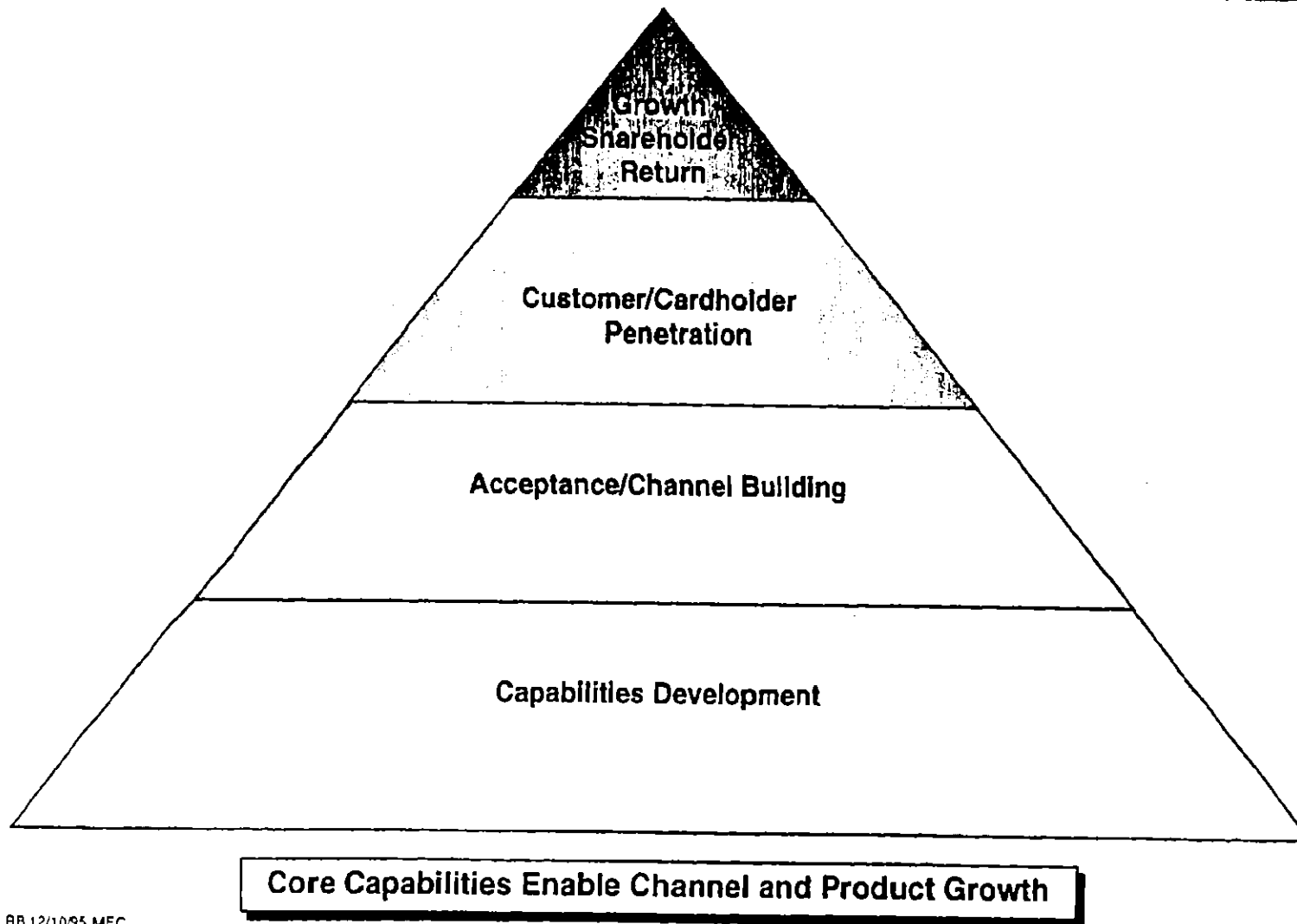


Category		Available responses	Comments/Issues
Prohibitions	Issuing	Prohibit banks from Issuing Amex cards	Currently a by-law in U.S. Could extend to other regions, need more precise definition of Issuing
	Acquiring	Prohibit Amex transaction switching	Merchants Insist on a single terminal for all cards
		Prohibit Amex transaction processing	Banks would lose business Not likely to be an attractive business proposition
		Prohibit marketing/ signing up merchants for Amex	Need to determine integrated economics from bank's perspectives including impact on Issuing side
	New Products	Prohibit Issuing/acquiring	
Incentives/ disincentives		Such as: Member service fee adjustments, Interchange	Needs to be further analyzed in combination with other sales/ marketing responses Likely to overlap with other responses

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## BUILDING BLOCKS TO AMEX GROWTH STRATEGY



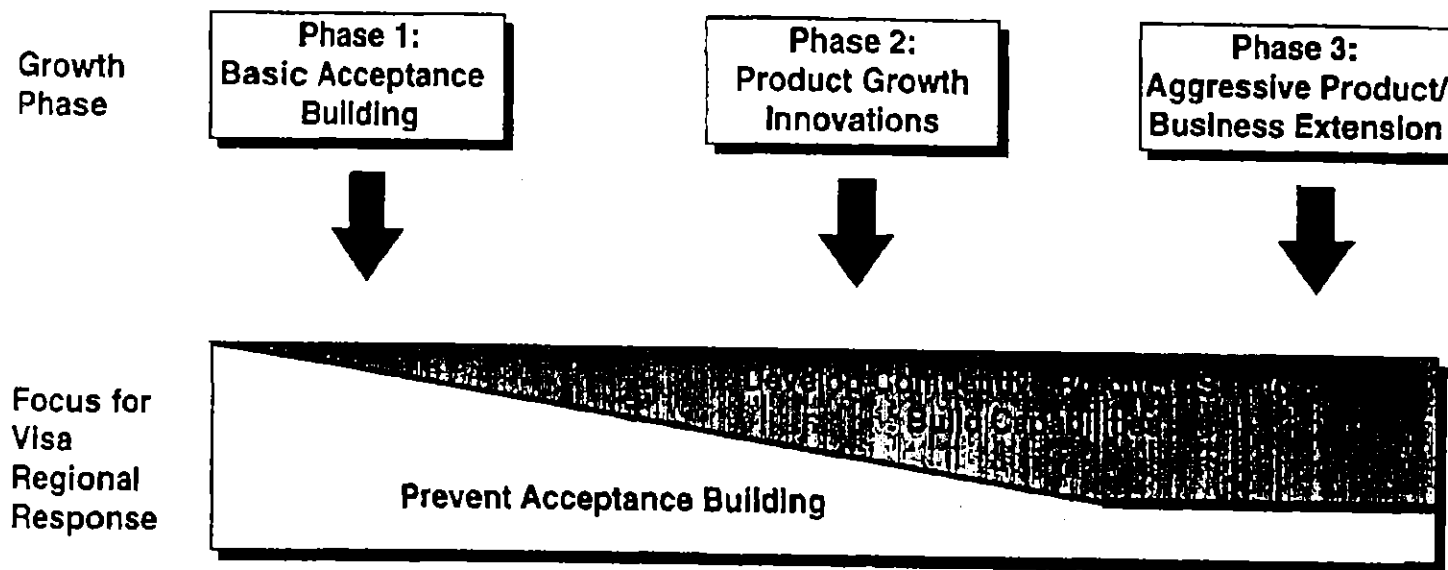
# AMEX STRATEGY VARIES WITH MATURITY OF MARKET

## Three Distinct Growth Stages Emerge



	Phase 1: Basic Acceptance Building	Phase 2: Product Growth Innovations	Phase 3: Aggressive Product/ Business Extension
<b>Representative Markets</b>	Greece Israel Korea	U.K. Canada Hong Kong	U.S.
<b>Customer/ Cardholder Strategy</b>	Basic Product Offering <ul style="list-style-type: none"> <li>• Green/Gold charge</li> <li>• Corporate Card</li> <li>• Limited revolving credit through franchises</li> </ul>	Product Enhancement Extensions <ul style="list-style-type: none"> <li>• Purchasing Card</li> <li>• Platinum Card</li> <li>• Revolving Credit/Options</li> <li>• Membership rewards</li> </ul>	Aggressive Product/ Business Extension <ul style="list-style-type: none"> <li>• Co-branding (Delta)</li> <li>• Stored Value Card</li> <li>• Virtual Bank</li> </ul>
<b>Acceptance/ Channel Strategy</b>	Building Acceptance • Franchise agreements	Continue Building Acceptance <ul style="list-style-type: none"> <li>• Faster payment</li> <li>• Lower discount fees (3.5% vs 4.0% in 92)</li> <li>• Increase # of ATMs (67% CAGR 92-94)</li> <li>• Direct sales - Telemarketing</li> </ul>	Broaden Acceptance <ul style="list-style-type: none"> <li>• Non-T&amp;E</li> <li>• Lower discount fees (2.5% vs 2.7% in 92)</li> </ul>
<b>Capabilities Development</b>	Cost cutting <ul style="list-style-type: none"> <li>• Consolidation of operations</li> <li>• Reorganization</li> </ul> Customer Service Enhancements <ul style="list-style-type: none"> <li>• Travel Services acquisition/distribution agreements</li> </ul> Database capabilities <ul style="list-style-type: none"> <li>• Closed loop tracking of customer preferences/information</li> </ul> New Technologies <ul style="list-style-type: none"> <li>• Stored Value, On-Line Services acquisition/agreements</li> </ul> Transaction Processing <ul style="list-style-type: none"> <li>• Capturing of scale economies</li> </ul>		

## VISA REGIONAL RESPONSES SHOULD BE CUSTOMIZED TO REFLECT AMEX GROWTH STAGE



# IN PHASE 1 MARKETS, REGIONS SHOULD FOCUS ON PREVENTING AMEX FROM BUILDING CHANNELS/ACCEPTANCE



Focus	Objective	Responses Still Under Consideration
Acceptance/Channels	Slow AmEx acceptance building	<ul style="list-style-type: none"> <li>• Establish prohibitions on aspects of member bank acquiring activities for Amex</li> <li>• Investigate separate prohibitions for new products/technologies such as stored value and chip cards</li> </ul>
	Incentives/Disincentives	<ul style="list-style-type: none"> <li>• Educational and promotional campaigns to acquiring banks</li> <li>• Pricing and promotional incentives/disincentives for merchants</li> </ul>
	Inhibit AmEx issuing activities	<ul style="list-style-type: none"> <li>• Prohibit member banks from issuing AmEx cards</li> </ul>
Product Service Development	Strengthen Commercial Card Product	<ul style="list-style-type: none"> <li>• Develop issuance/reporting capability for multinationals</li> <li>• Strengthen Member profitability, increase issuer participation, revise IRF</li> </ul>
	Establish Visa Travel Money	<ul style="list-style-type: none"> <li>• Decrease cash disbursement fee</li> <li>• Adjust Visa processing fees to encourage issuance</li> </ul>
	Preserve/enhance Visa ATM acceptance advantage	<ul style="list-style-type: none"> <li>• Increase fees paid to ATM owners that do not share access with competing brands (Decrease fees to owners that share)</li> </ul>
	Strengthen Visa Gold	<ul style="list-style-type: none"> <li>• Improve emergency card services</li> <li>• Enhance MIS reporting</li> </ul>
Capabilities/Technology	Reduce Amex advantage in MIS/Service Quality	<ul style="list-style-type: none"> <li>• Invest in Visa information consolidation and integration capabilities</li> <li>• Build on Visa GCAS services</li> </ul>
	Build new technologies/platforms	<ul style="list-style-type: none"> <li>• Invest in electronic payment products with built-in first-to-market advantage</li> <li>• Pursue agreement/partnerships with OLS/Internet players</li> </ul>

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